

Appropriations Committee Preliminary Report



February 2022

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Overview

This report provides a projection of the state's General Fund financial picture for the current biennial budget, FY2021-22 and FY2022-23, and the following biennium, FY2023-24 and FY2024-25. The report aims to assist the Legislature with its fiscal planning as it begins to consider 2022 revenue and spending adjustments.

The projections for the current biennium incorporate (1) the October 2021 revenue forecasts of the Nebraska Economic Forecasting Advisory Board, (2) appropriations as enacted in the 2021 legislative session, and (3) the Appropriations Committee 2022 preliminary budget adjustments.

The projections for the following biennium incorporate revenue forecasts based on a historical average methodology as calculated by the Legislative Fiscal Office (see page 14), projected budget increases based on historical average increases and formula driven estimates for specific areas, and the annualized and on-going impacts of actions taken in the 2021 legislative session and the Committee Preliminary budget (see page 30). All such estimates are based on existing law including the TEEOSA school aid formula.

The Committee preliminary budget is the basis for the committee hearing schedule along with bills referenced to the Appropriations Committee. This allows the committee to hear testimony on the impacts and ramifications of the issues in the proposal before making any final decisions.

After the budget hearings, the Appropriations Committee will meet to finalize their budget proposal. At that time the committee will have available to them (1) the input obtained from the budget hearings, (2) any updated revenue forecasts from the February 25 meeting of the Nebraska Economic Forecast Advisory Board (NEFAB), and (3) the use of and ultimate level of the Cash Reserve Fund balance.

General Fund Financial Status

Overall the financial status for the current biennium (FY22 / FY23) has improved significantly as compared to Sine Die of the 2021 Legislative Session. At Sine Die, the variance from the minimum General Fund reserve (commonly referred to as the surplus or shortfall) was estimated to be \$27.3 million while the current financial status is \$105.2 million. However, there have been a large number changes, both positive and negative

November Tax Rate Review Committee

The projected status went from a positive \$27.3 million to \$412.2 million from the end of the 2021 session to the November meeting of the Tax Rate Review (TRR) Committee. The cause of this improvement was mostly attributed to increases in General Fund revenues. Actual and projected revenues have increased by a net \$354.8 million since Sine Die 2021. Actual receipts for FY2020-21 were \$379 million above forecast. In October 2021, the FY21-22 and FY22-23 forecasts were revised by the Nebraska Economic Forecast Advisory Board (NEFAB) by a total of \$903 million; \$475.4 million in FY21-22 and \$427.6 million in FY22-23. This was a total of \$1.282 billion of additional revenues.

However of this \$1.282 billion, only \$238.1 million remained in the General Fund. The FY20-21 and FY21-22 additional revenues are considered "above the certified forecast" and under

Changes in the Financial Status – Current Biennium

Millions of Dollars	FY21	FY22	FY23	Total
Sine Die 2021 Session 5/27/21				27.3
FY21 Actual vs Est General Fund Net Receipts	379.0	0.0	0.0	379.0
Revenue Forecasts (October 2021)	0.0	475.4	427.6	903.0
Increase in LB1107 credit due to FY21 actual receipts	0.0	(189.5)	(189.5)	(379.0)
"Above certified" actual & forecast to CRF-automatic	0.0	(189.5)	(475.4)	(664.9)
FY21 Actual vs Est Accounting adjustment, transfers	2.3	(3.4)	0.0	(1.1)
Lapse of FY21 unexpended funds	0.0	156.2	0.0	156.2
Change in Minimum Reserve	0.0	0.0	(21.4)	(21.4)
Exclude allocation for deficits, update estimates	0.0	5.6	0.0	5.6
2022 Midbiennium Budget Adjustments (Nov TRR est)	0.0	(8.0)	(7.3)	(15.3)
TEEOSA School Aid revisions (Nov 2021 joint meeting)	0.0	0.0	22.8	22.8
November 2021 Tax Rate Review Committee				412.2
2022 General Fund transfers-out	0.0	(0.5)	(179.8)	(180.3)
Provide DHHS reappropriation	0.0	(75.3)	0.0	(75.3)
Salary costs, revised NAPE agreement	0.0	(0.5)	(62.5)	(63.0)
TEEOSA higher than Nov Est	0.0	0.0	(22.4)	(22.4)
Revenue - Homestead exemption	0.0	(7.9)	(11.7)	(19.6)
DCS - NSP Security Camera Systems	0.0	(4.0)	0.0	(4.0)
DCS - Presumed Payroll (Cares Act)	0.0	23.0	0.0	23.0
Construction projects to NCCF	0.0	0.0	14.3	14.3
Exclude - NDE relocation costs	0.0	2.1	1.9	4.0
Exclude - DHHS OCIO utilization increase	0.0	5.3	5.2	10.5
All other appropriation items	0.0	0.2	0.8	0.9
State Claims	0.0	(0.5)	0.0	(0.5)
Variance - Committee Preliminary Budget				105.2

For expenditure items, a positive number indicates lower expenditures which are a positive addition to the variance from the minimum reserve.

current law \$664.9 million was required to be transferred to the Cash Reserve Fund. And the \$379 million of additional funds in the FY20-21 actual receipts triggered a \$189.5 million increase in the LB1107 tax credit for both FY21-22 and FY22-23. This reduced the revenues by \$379 million over the biennium.

Available funds were further enhanced by the expiration and lapse of \$156.2 million of unexpended funds from the FY20/FY21 biennium.

Appropriations Committee Preliminary Budget

The projected status went from a positive \$412.2 million at the November meeting of the TRR Committee to the current positive \$105.2 million per the Appropriations Committee preliminary budget. The Committee Preliminary Budget includes adjustments to the current budget amounting to \$304.3 million over the two year period.

Roughly 95% of these adjustments are in three items. The largest item is a \$150 million transfer from the General Fund to the Statewide Tourism and Recreational Water Access and Resource Sustainability Fund (STARWARS). The second largest item is a reappropriation of \$75 million of FY21 unexpended funds to cover two one time deficit items in the Dept. of Health and Human Services. And the third item is \$63 million to cover additional salary adjustments negotiated with the Nebraska Association of Public Employees (NAPE) and the Fraternal Order of Police (FOP).

A complete listing is included in Appendix A on page 27.

Following Biennium

The projected financial status for the ***following biennium*** shows a balance \$189 million above the minimum reserve. Revenue growth (rate and base adjusted) in the next biennium is projected at only 0.7% per year average using the capped historical average methodology (see page 14). This methodology is used in the absence of an official forecast. This is much lower than the 4.5% historical average because the preceding three years average 6.9% led by the 14.6% in FY20-21.

Calculation of the projected budget for the following biennium is shown in Appendix C on page 30. The projected budget increases are based on historical increases for specific areas and existing law in particular the TEEOSA school aid formula. The net result of the item by item calculation is an overall spending growth of 3.2% in FY23-24, 3.6% in FY24-25 for a two year average of 3.4%. These calculations do not include the annualized impacts of 2022 budget actions which are shown separately on the financial status.

Available for Legislative Bills

The current financial status with the Committee preliminary budget adjustments yields a projected balance that is \$105.2 million above the 3% minimum reserve. For the following biennium the projected balance is \$189.1 million above the minimum reserve. This is based on estimated revenue and spending levels noted above and discussed elsewhere in this report. These amounts constitute what is available for A bills or revenue reduction bills.

The Governor's budget proposal for the FY22/FY23 biennium ended with a balance \$40 million above the minimum reserve. However his recommendation for legislation amounts to \$65 million (and growing to \$412 million by FY24.25). Adjusting for this the Committee budget and Governors recommendation provided the same amount for legislation.

Cash Reserve Fund

At the end of the 2021 legislative session, the unobligated balance was projected at \$808 based on an estimated \$345 million transfer related to the April NEFAB forecast for FY2020-21 being above the certified amount. The projected unobligated balance increased to \$997.5 million when FY2020-21 actual receipts were \$379 million above the April forecast. Under LB1107 half of that amount (\$189.5 million) went into the Cash Reserve Fund (CRF) and the other half increased the LB1107 tax credit to a total of \$548 million.

In October 2021, the Nebraska Economic Forecast Advisory Board (NEFAB) increased the FY2021-22 forecast by \$475.4 million. Because the FY2021-22 forecast had already been "certified", this \$475.4 million is considered as "above certified" and would be credited to the Cash Reserve Fund if receipts come in at the forecast level. In this case there is no change in the LB1107 credit as the growth threshold under LB1107 is not met even with the higher forecast. This raises the projected unobligated balance to \$1,472.9 million roughly 27% of annual revenues.

The table below compares the Governors and Committee preliminary proposal for transfer from the CRF. The Governors transfers total \$530 million and would leave the CRF with an unobligated balance of \$941 million.

The Appropriations Committee preliminary budget calls for a net \$130 million transfer and a projected unobligated balance of \$1.342 billion. The difference is that at this stage the committee did not recommend allocating money for the Perkins County Canal Project subject to a public hearing and subsequent review. A more detailed discussion of the Cash Reserve Fund is provided on page 8.

CRF Transfers	Governor	Committee
To NCCF, corrections facilities	(175,000,000)	(175,000,000)
To Perkins County Canal Project	(400,000,000)	0
Delete US SPACECOM Fund transfer	50,000,000	50,000,000
To STRATCOM promotion	(5,000,000)	(5,000,000)
Net Change	(530,000,000)	(130,000,000)

Mid-Biennium Appropriation Changes

Over the two year period, the Appropriations Committee preliminary budget adjustments utilizes a total of \$123.9 million over the two year period. This consists of \$48.7 million of new appropriations and \$75.2 million of reappropriations which had previously been shown as lapsed. A detailed listing of the individual items can be found on page 23.

Committee Preliminary Budget Adjustments (General Funds)	FY2021-22	FY2022-23	2 Yr Total
All Agencies-Salary costs, revised NAPE, FOP agreement	491,138	62,473,755	62,964,893
Revenue-Adjust Homestead Exemption to actual under current law	7,900,000	11,700,000	19,600,000
Corrections-NSP Security Camera Systems	4,000,000	0	4,000,000
Corrections-Presumed Payroll (Cares Act)	(23,000,000)	0	(23,000,000)
DAS-Capitol HVAC funding (fund shift)	0	(11,000,000)	(11,000,000)
Corrections-Corrections Capital Infrastructure and Maintenance (fund shift)	0	(2,000,000)	(2,000,000)
Corrections-Corrections Security System Upgrades (fund shift)	0	(1,250,000)	(1,250,000)
Education-TEEOSA aid adjustment	0	(453,725)	(453,725)
All Other	283,390	(483,598)	(200,208)
Subtotal General Fund New Appropriations	(10,325,472)	58,986,432	48,660,960
Reappropriate DHHS unexpended FY21 funds.	75,264,300	0	75,264,300
Total General Fund Appropriations	64,938,828	58,986,432	123,925,260

Of the significant increases, \$63 million is included to cover additional salary adjustments negotiated with the Nebraska Association of Public Employees (NAPE) and the Fraternal Order of Police (FOP). The next largest increase is funding of the actual level of Homestead Exemption reimbursement.

Of the reductions included, \$23 million relates to using Cares Act funding for payroll with an offsetting General Fund savings. The next three items total \$14.25 million and are a fund shift General Funds to the Nebraska Capital Construction Fund (NCCF). The NCCF is financed by a transfer from the General Fund.

Difference between the Committee and Governor

Excluding 2022 legislation, in terms of total use of General Funds there is a minimal difference between the Committee and Governor. Over the two year period, the committee proposed changes are \$1.7 million below the Governors recommendation.

<i>Use of General Fund, Committee & Governor</i>	FY2021-22	FY2022-23	Two Yr Total
Committee Preliminary			
Gen Fund Appropriations	(10,295,472)	58,986,432	48,690,960
Gen Fund Reappropriations	75,264,300	0	75,264,300
Gen Fund Transfers-Out	500,000	179,844,250	180,344,250
State Claims	474,000	0	474,000
Total Use of Gen Funds	65,942,828	238,830,682	304,773,510
Governor's recommendation			
Gen Fund Appropriations	(8,579,873)	42,137,064	33,557,191
Gen Fund Reappropriations	75,264,300	0	75,264,300
Gen Fund Transfers-Out	500,000	196,723,459	197,223,459
State Claims	474,000	0	474,000
Total Use of Gen Funds	67,658,427	238,860,523	306,518,950
Total Difference in use of Gen Fund	(1,715,599)	(29,841)	(1,745,440)

<i>Major Differences by Item</i>	FY2021-22	FY2022-23	Two Yr Total
TEEOSA aid - Nov Est vs NDE Jan 2022 Est	0	18,386,234	18,386,234
GF Transfers Out (Patrol crime lab project)	0	(16,879,209)	(16,879,209)
All Other differences (net)	(1,715,599)	(1,536,866)	(3,252,465)
Total difference in use of Gen Fun	(1,715,599)	(29,841)	(1,745,440)

In terms of spending items, the largest difference is in TEEOSA school aid where the Governor used a different estimate. Statute requires the Dept. of Education (NDE) with the assistance of the property tax administrator, Legislative Fiscal Analyst, and DAS-Budget Division to make an estimate of the funding needs for TEEOSA for the next year by November 15. This estimate is to be provided to the Governor and chairpersons of the Education and Appropriations Committees. At that time the FY22-23 General Fund estimate was \$1.039 billion which was \$18.8 million **lower** than the aid number included in the budget as enacted in the 2021 session. This is the number the Governor included in his recommendation. In January 2022, the Dept. of Education released a preliminary aid certification number using actual annual financial report data that was not available at the time the previous estimate was made. This update indicates a total amount of General Fund TEEOSA aid at \$1.038 billion which is only \$453,725 **lower** than the Sine Die 2021 level.

The other spending difference is that the Appropriations Committee preliminary budget did not include funding for a \$16.9 million State Patrol laboratory expansion, waiting until after the hearing to make a final decision. This had been included in the Governors recommendation financed with a \$16.9 million transfer from the General Fund to the Nebraska Capital Construction Fund (NCCF).

With respect to the following biennium, the Governors proposed budget also included several bills that are not included in the Committee proposal but will be considered as the budget process proceeds to the floor of the Legislature. The following table compares the variance from minimum reserve under the Committee Preliminary Budget and the Governor's proposal including legislation included in his recommendation. In the current biennium, the Committee preliminary budget accommodates the bills in the Governor's proposal and still leaves \$38 million.

Variance from Minimum Reserve, Committee and Governor

(Millions of dollars)	FY22	FY23	Current Biennium	FY24	FY25	Following Biennium
Committee Preliminary Budget - 2022			105.2			189.1
Governor and agency legislation	(0.7)	(1.0)	(1.6)	(0.7)	(0.7)	(2.9)
Individual Income Tax Rate Reduction	0.0	(24.7)	(24.7)	(86.1)	(152.6)	(263.4)
Social Security Exemption	0.0	(40.8)	(40.8)	(44.7)	(59.6)	(145.1)
Corporate tax parity	0.0	0.0	0.0	(5.2)	(26.2)	(31.3)
Property tax incentive floor	0.0	0.0	0.0	0.0	(173.0)	(173.0)
Committee Preliminary Budget with Governors Bills			38.0			(426.7)
Assume 3.5% per year revenue increase vs methodology	0.0	0.0	0.0	182.9	184.1	367.0
Assume 3% per year budget increase vs LFO est	0.0	0.0	0.0	26.0	54.5	80.6
Lower TEEOSA (Nov 2021 est)	0.0	18.4	18.4	1.0	6.5	25.9
State Patrol Laboratory project	0.0	(16.9)	(16.9)	0.0	0.0	(16.9)
All Other differences (net)	(1.7)	(1.5)	(3.3)	(1.5)	(1.5)	(6.2)
Change in reserve	0.0	4.1	4.1	0.0	4.8	8.9
Governors Recommendation			40.4			32.6

The real difference comes in the following biennium where incorporating the bills in the Governor's proposal into the Committee Preliminary budget results in a \$427 million shortfall in the following biennium. This reflects the fact that those four major tax bills start at a cost of \$66.5 million in FY2022-23 but grow to \$412 million within two years.

The Governor's projected financial status however ends in a positive \$32.6 million variance from the minimum reserve. This is achieved by using a flat 3.5% per year increase in revenues rather than using the methodology we had used in prior years which only generate revenue growth of 0.7% per year. The higher growth generates \$367 million over the two years. Another \$81 million is generated by using a flat 3.0% per year budget increase rather than generating a "current services" estimate looking at individual spending items within the budget. No detailed breakdown of these projected increases is available, so one can't compare the increases as derived here with the itemized projected increases in the Committee Preliminary financial status as shown in Appendix C on page 30.

General Fund Financial Status

Appropriations Committee Preliminary Budget

	Actual FY2020-21	Biennial Budget FY2021-22 FY2022-23		Following Biennium FY2023-24 FY2024-25	
1 BEGINNING BALANCE					
2 Beginning Cash Balance	710,599,887	1,848,977,997	942,479,778	416,222,792	456,302,317
3 Cash Reserve transfers-automatic	(10,655,528)	(535,259,365)	(475,390,081)	0	0
4 Carryover obligations from FY21	0	(339,592,954)	0	0	0
5 Provide DHHS reappropriation	0	(75,264,300)	0	0	0
6 Allocation for potential deficits	0	0	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	699,944,359	898,861,378	462,089,697	411,222,792	451,302,317
8 REVENUES & TRANSFERS					
9 Net Receipts (NEFAB October 2021 + LFO prelim)	5,955,664,939	5,355,000,000	5,555,000,000	5,566,500,000	5,766,600,000
10 General Fund transfers-out (current law)	(310,600,000)	(455,330,000)	(335,830,000)	(327,010,000)	(322,010,000)
11 General Fund transfers-in (current law)	in actual	in forecast	in forecast	0	0
12 Cash Reserve transfers (current law)	30,000,000	(50,000,000)	(50,000,000)	0	0
13 2022 Cash Reserve transfers (new)	0	0	0	0	0
14 2022 General Fund transfers-out	0	(500,000)	(179,844,250)	0	0
15 2022 General Fund transfers-in	0	0	0	0	0
16 2022 Revenue Bills	0	0	0	0	0
17 General Fund Net Revenues	5,675,064,939	4,849,170,000	4,989,325,750	5,239,490,000	5,444,590,000
18 APPROPRIATIONS					
19 Expenditures / Appropriations (2021 Session)	4,526,031,301	4,815,373,072	4,976,206,223	4,976,206,223	4,976,206,223
20 Projected budget increase, following biennium	0	0	0	176,582,889	360,136,033
21 2022 Midbiennium Budget Adjustments (TRR)	0	(10,295,472)	58,986,432	41,621,363	47,173,514
22 2022 State Claims (LB xxx)	0	474,000	0	0	0
23 2022 "A" Bills	0	0	0	0	0
24 General Fund Appropriations	4,526,031,301	4,805,551,600	5,035,192,655	5,194,410,475	5,383,515,770
25 ENDING BALANCE					
26 \$ Ending balance (per Financial Status)	1,848,977,997	942,479,778	416,222,792	456,302,317	512,376,547
27 \$ Ending balance (at Min. Reserve 3.0%)			310,975,465		323,309,790
28 Excess (shortfall) from Minimum Reserve			105,247,327		189,066,757
29 Biennial Reserve (%)			4.1%		4.8%
General Fund Appropriations					
30 Annual % Change - Appropriations (w/o deficits)	3.4%	0.7%	4.6%	3.2%	3.6%
31 Two Year Average	3.6%	--	2.6%	--	3.4%
General Fund Revenues					
32 Est. Revenue Growth (rate/base adjusted)	14.6%	3.0%	3.2%	0.7%	0.7%
33 Two Year Average	9.7%	--	3.1%	--	0.7%
34 Five Year Average	6.7%	--	6.8%	--	4.4%
35 Unadjusted % change over prior year	20.6%	-10.1%	3.7%	0.2%	3.6%
36 On-Going Revenues vs Appropriations	581,298,041	83,796,928	4,133,095	45,079,525	61,074,230

CASH RESERVE FUND	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
Beginning Balance	426,307,702	466,963,230	997,522,595	1,342,912,676	1,342,912,676
Excess of certified forecasts (line 3 in Status)	10,655,528	535,259,365	475,390,081	0	0
To/from Gen Fund per current law	(30,000,000)	50,000,000	50,000,000	0	0
To Nebr Capital Construction Fund (NCCF)	0	(54,700,000)	0	0	0
From Gov Emergency Fund (LB1009-2020)	60,000,000	0	0	0	0
To US Spacecom fund (2021)	0	0	(50,000,000)	0	0
2022 - To NCCF, corrections facilities	0	0	(175,000,000)	0	0
2022 - To Perkins County Canal Project	0	0	0	0	0
2022- Delete US SPACECOM Fund transfer	0	0	50,000,000	0	0
2022- To STRATCOM promotion	0	0	(5,000,000)	0	0
Projected Unobligated Ending Balance	466,963,230	997,522,595	1,342,912,676	1,342,912,676	1,342,912,676

Cash Reserve Fund

The Cash Reserve Fund (CRF) is not included as part of the "General Fund Reserve" (which is the statutorily defined ending General Fund balance for a biennium) and was created as a separate and distinct fund to cover cash flow needs within a month or several month period. The Cash Reserve Fund also serves as a "rainy day fund" in that revenues in excess of a "certified forecast" are transferred from the General Fund to Cash Reserve fund at the end of a fiscal year. As the certified forecast is basically the revenue estimate at Sine Die when the budget is finalized, these transfers sequester revenues in excess of that which is needed to balance the budget.

At the end of the 2021 legislative session, the unobligated balance was projected at \$808 based on an estimated \$345.7 million transfer related to the April NEFAB forecast for FY2020-21 being above the certified amount and split with the LB1107 credit.

The projected unobligated balance increased to \$997 million when FY2020-21 actual receipts were \$379 million above the April forecast and a total of \$535 million was transferred to the CRF.

In October 2021, the Nebraska Economic Forecast Advisory Board (NEFAB) increased the FY2021-22 forecast by \$475 million. Because the FY2021-22 forecast does not meet the 3.5% increase threshold, all of this \$475 million is considered "above certified" and will be transferred to the Cash Reserve Fund if receipts come in at the forecast level. This raises the projected unobligated balance to \$1.472 billion roughly 26% of annual revenues.

Table 1 Cash Reserve Fund Status

	Actual FY2020-21	Estimated FY2021-22	Estimated FY2022-23	Estimated FY2023-24	Estimated FY2024-25
Beginning Balance	426,307,702	412,263,230	997,522,595	1,472,912,676	1,472,912,676
Excess of certified forecasts (line 3 in Status)	10,655,528	535,259,365	475,390,081	0	0
To/from Gen Fund per current law	(30,000,000)	50,000,000	50,000,000	0	0
To Nebr Capital Construction Fund (NCCF)	(54,700,000)	0	0	0	0
From Gov Emergency Fund (LB1009-2020)	60,000,000	0	0	0	0
To US Spacecom fund (LB385-2021)	0	0	(50,000,000)	0	0
Ending Balance	412,263,230	997,522,595	1,472,912,676	1,472,912,676	1,472,912,676

Proposed 2022 Session Transfers

The table below compares the Governors and Committee preliminary proposal for transfer from the CRF. The Governors transfers total \$530 million and would leave the CRF with an unobligated balance of \$941 million. The Appropriations Committee preliminary budget calls for a net \$130 million transfer and a projected unobligated balance of \$1.342 billion. The difference is that at this stage the committee did not recommend allocating money for the Perkins County Canal Project subject to a public hearing and subsequent review.

CRF Transfers	Governor	Committee
To NCCF, corrections facilities	(175,000,000)	(175,000,000)
To Perkins County Canal Project	(400,000,000)	0
Delete US SPACECOM Fund transfer	50,000,000	50,000,000
To STRATCOM promotion	(5,000,000)	(5,000,000)
Net Change	(530,000,000)	(130,000,000)

Excess of Certified Forecasts

Shown on line 3 of the Financial Status, revenues in excess of "certified" forecasts are required by statute to be transferred from the General Fund to the Cash Reserve Fund. These would take place in July of the fiscal year following completion of that year.

Actual receipts for FY2019-20 (\$4,939,762,611) were \$10,655,528 above the certified forecast of \$4,929,107,083. However actual receipts were over \$265 million below the last forecast due to the extension of the income tax filing deadline from April 2020 to July 2020. The latest estimate was that \$280 million shifted from FY2019-20 to FY2020-21 due to this filing change.

The provisions of LB1107 enacted in the 2020 session created a new calculation for purposes of automatic transfers to the Cash Reserve Fund for the next three years. Normally the amount above certified would all go to the CRF. However under the provisions of LB1107 the amount above certified less any allocated to the income tax credit for property taxes is transferred to the CRF.

Since the level of credit and CRF transfer is based on FY20-21 revenues, the amounts have kept changing as the forecasts changed. In October the provisions of LB1107 resulted in a \$86.7 million increase in the credit. Therefore the CRF transfer is \$198.7 or the \$285.4 million above certified revenues less the \$86.7 million increase in the credit. The same happened with the February 2021 and April 2021 increase in the revenue forecast.

The final FY20-21 actual receipts were \$958.4 million above the certified forecast from August 2020. Under the LB1107 calculation \$535.3 million goes to the CRF and the other \$423.2 million is added to the prior year credit amount of \$125 million increasing the credit to \$548.2 million. A more detailed description of income tax credit under LB1107 can be found on page 15.

LB1107 Calculation		\$ Amount				
Cash Reserve Fund Transfer	GF Revenue Forecast	Certified	> Certified (prior yr)	Less:\$ to Credit	\$ Amount to CRF	CRF balance (after transfer)
FY2020-21	5,959,042,429	5,000,589,000	--	--	--	412,263,230
FY2021-22	4,879,609,919	4,879,609,919	958,453,429	423,194,063	535,259,366	997,522,596
FY2022-23	5,127,357,657	5,127,357,657	0	0	0	997,522,596
FY2023-24	5,293,510,350	5,293,510,350	0	76,961,391	0	997,522,596
FY2024-25	5,766,590,748	5,766,590,748	0	--	0	997,522,596

In October 2021, the Nebraska Economic Forecast Advisory Board (NEFAB) increased the FY2021-22 forecast by \$475.4 million. Because the FY2021-22 forecast had already been "certified", this \$475.4 million is considered as "above certified" and would be credited to the

Cash Reserve Fund if receipts come in at the forecast level. In this case there is no change in the LB1107 credit as the growth threshold under LB1107 is not met even with the higher forecast. This raises the projected unobligated balance to \$1,472.9 million roughly 27% of annual revenues.

Transfers-To & From General Fund

Unlike the automatic transfers that occur after the close of the fiscal year and are statutorily required, other transfers can take place as specifically enacted by the Legislature. In the 2017 Session, the Legislature transferred a total of \$173 million to the General Fund to assist in balancing the budget and to help replenish the reserve to the statutory minimum level consisting of \$125 million in FY18 and \$48 million in FY19.

In the 2020 session LB1107 which contained the Imagine Nebraska Act, Nebraska Transformational Projects Act, and Nebraska Property Tax Incentive Act included a \$30 million transfer from the CRF to the General Fund to help pay for the first year \$125 million cost of Property Tax Incentive Act

In the 2021 session, the budget included a \$50 million transfer from the General Fund in both FY21-22 and FY22-23 to help replenish the fund. At the time of enacting the budget, this would have achieved a balance at \$763 million which is 14.2% of revenues. The final balance was higher than that with actual receipts being well above forecast.

Transfers To & From Other Funds

In the 2019 session, the enacted budget transfers \$54.7 million from the Cash Reserve Fund to the Nebraska Capital Construction Fund to cover several construction projects primarily two additional high security housing units (384 beds) for the Dept. of Correctional Services.

In the 2020 session, LB 1198 was enacted March 25, 2020 to provide funding to help cover the costs related to the COVID-19 outbreak. After this bill was enacted the Legislature suspended the session until July 20. The bill transferred \$83,619,600 from the Cash Reserve Fund to Governor's Emergency Cash Fund for FY2019-20. The original allocation was as follows: Local response efforts (\$38,156,700), DHHS staffing (\$4,004,000), Surge staffing for veterans hospitals & DHHS care facilities (\$13,000,000), COVID-19 Lab Testing (\$515,000), UNMC lab equipment, software programming and personnel (\$2,500,000), UNMC UV light boxes (\$100,000), and UNMC knowledge center (\$343,900). This left an available reserve of \$25,000,000

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act, P.L.116-136 (CARES Act) was enacted. In that law, Nebraska was allocated \$1.25 billion through the Coronavirus Relief Fund. Of this amount, \$166 million went directly to Douglas County and the remaining \$1.083 billion to the State of Nebraska. The Governor credited these funds to the Governor's Emergency Program-COVID19. These federal funds could be used for basically the same things that were authorized under LB1198. Because of this only \$19.2 million had been expended through FY19-20. LB1009 enacted in August transferred \$60 million of the unused funds back to the Cash Reserve Fund.

In the 2021 session, the budget included a \$50,000,000 transfer in FY23 from the CRF to a newly created cash fund - The United States Space Command Headquarters Assistance Fund. The transfer is subject the State of Nebraska being selected as the site of the United States Space Command Headquarters. The newly created fund is to be administered by the Adjutant General of the Nebraska Military Department and will be utilized to contribute to the cost of constructing the United States Space Command Headquarters, should Nebraska be selected as the site of this installation. The United States Department of the Air Force anticipates making a final decision for the location of the United States Space Command Headquarters in the spring of 2023.

Table 2 Cash Reserve Fund – Historical Balances

Fiscal Yr	Beginning Balance	Direct Deposit and Interest	Automatic Transfers	Legislative Transfers	Cash Flow	Ending Balance	Balance as % of revenue
FY1990-91	40,037,043	0	na	(8,100,000)	0	31,937,043	2.3%
FY1991-92	31,937,043	0	na	(5,000,000)	0	26,937,043	1.8%
FY1992-93	26,937,043	0	na	(9,500,000)	0	17,437,043	1.1%
FY1993-94	17,437,043	0	3,063,462	7,250,000	0	27,750,505	1.7%
FY1994-95	27,750,505	0	(8,518,701)	1,250,000	0	20,481,804	1.2%
FY1995-96	20,481,804	0	(20,481,804)	18,189,565	0	18,189,565	1.0%
FY1996-97	18,189,565	0	19,740,786	3,032,333	0	40,962,684	2.0%
FY1997-98	40,962,684	0	91,621,018	0	0	132,583,702	6.3%
FY1998-99	132,583,702	0	111,616,422	(98,500,000)	0	145,700,124	6.9%
FY1999-00	145,700,124	0	20,959,305	(24,500,000)	0	142,159,429	5.9%
FY2000-01	142,159,429	0	77,576,670	(49,500,000)	0	170,236,099	6.9%
FY2001-02	170,236,099	0	0	(60,170,000)	0	110,066,099	4.7%
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	(30,000,000)	59,142,545	2.4%
FY2003-04	59,142,545	59,463,461	0	(61,577,669)	30,000,000	87,028,337	3.2%
FY2004-05	87,028,337	8,170,556	108,727,007	(26,758,180)	0	177,167,720	5.8%
FY2005-06	177,167,720	0	261,715,297	(165,266,227)	0	273,616,790	8.2%
FY2006-07	273,616,790	0	259,929,524	(17,458,523)	0	516,087,791	15.1%
FY2007-08	516,087,791	0	191,436,773	(161,978,767)	0	545,545,797	15.6%
FY2008-09	545,545,797	0	116,976,571	(84,330,505)	0	578,191,863	17.2%
FY2009-10	578,191,863	0	0	(110,990,237)	0	467,201,626	14.6%
FY2010-11	467,201,626	0	0	(154,000,000)	0	313,201,626	8.9%
FY2011-12	313,201,626	8,422,528	145,155,092	(33,439,198)	(4,461,676)	428,878,372	11.6%
FY2012-13	428,878,372	0	104,789,781	(154,008,427)	4,461,676	384,121,402	9.5%
FY2013-14	384,121,402	0	285,292,610	49,651,294	0	719,065,306	17.5%
FY2014-15	719,065,306	0	96,721,232	(87,951,112)	0	727,835,426	16.9%
FY2015-16	727,835,426	0	84,599,532	(81,779,850)	0	730,655,108	17.0%
FY2016-17	730,655,108	0	0	(50,000,000)	0	680,655,108	16.0%
FY2017-18	680,655,108	265,729	0	(340,930,772)	0	339,990,065	7.4%
FY2018-19	339,990,065	0	61,995,773	(68,436,714)	0	333,549,124	6.8%
FY2019-20	333,549,124	0	176,378,178	(83,619,600)	0	426,307,702	8.6%
FY2020-21	426,307,702	0	10,655,528	(24,700,000)	0	412,263,230	6.9%
FY2021-22 Est	412,263,230	0	535,259,365	50,000,000	0	997,522,595	18.6%
FY2022-23 Est	997,522,595	0	475,390,081	0	0	1,472,912,676	26.5%
FY2023-24 Est	1,472,912,676	0	0	0	0	1,472,912,676	26.5%
FY2024-25 Est	1,472,912,676	0	0	0	0	1,472,912,676	25.5%

Analysis of the Level of Cash Reserve Fund Balance

The initial purpose of the Cash Reserve Fund (CRF) was to set aside money as a “safety net” for the General Fund, sustaining the ability of the General Fund to pay bills when balances would otherwise be insufficient for day to day cash flow. In addition to cash flow another major purpose of the CRF was added later; protection against forecast errors and periods of low year over year revenue growth. Monies are accumulated in the CRF when receipts exceed certified forecast levels and are then available to offset instances when receipts are below forecasts.

The level of “protection” or in other words the level of funds to retain in the Cash Reserve fund, can be derived by looking at historical variances derived by comparing forecasts at Sine Die of the legislative session when the budget was enacted and actual receipts which are known anywhere from 13 to 15 months later (see Table 3).

Over the 41 year period the average negative variance is -4.5% clustered in groups of 3 to 4 years. For simplicity, a 4% negative variance would require a balance equal to about 16% of annual net receipts using a four consecutive year cluster or 12% with a three consecutive year cluster. Applied to the average forecast from FY19 to FY21 the target balance would range from \$675 million (12%) to \$900 million (16%) depending on a three or four year cluster.

WHAT MAKES THE CURRENT SITUATION SO DIFFICULT TO EVALUATE IS THAT THE FY2020-21 VARIANCE WAS TWICE AS HIGH AS ANY OTHER YEAR AND WAS AN EXTRAORDINARY CIRCUMSTANCE.

Table 3 Variance from Revenue Projections

FY	Session	Projected at Sine Die **	Actual Receipts	\$ Variance	% Variance	
					Negative	Positive
FY 1986-87	Sine Die 1986	878.0	886.4	8.4		1.0%
FY 1987-88	Sine Die 1987	924.3	1,016.3	92.0		10.0%
FY 1988-89	Sine Die 1988	988.4	1,133.5	145.1		14.7%
FY 1989-90	Sine Die 1989	1,110.9	1,152.7	41.8		3.8%
FY 1990-91	Sine Die 1990	1,334.6	1,367.1	32.5		2.4%
FY 1991-92	Sine Die 1991	1,493.2	1,490.4	(2.8)	-0.2%	
FY 1992-93	Sine Die 1992	1,537.3	1,524.7	(12.6)	-0.8%	
FY 1993-94	Sine Die 1993	1,662.5	1,653.7	(8.8)	-0.5%	
FY 1994-95	Sine Die 1994	1,729.9	1,706.0	(23.9)	-1.4%	
FY 1995-96	Sine Die 1995	1,834.3	1,836.7	2.4		0.1%
FY 1996-97	Sine Die 1996	1,918.0	2,009.6	91.6		4.8%
FY 1997-98	Sine Die 1997	1,993.8	2,105.4	111.6		5.6%
FY 1998-99	Sine Die 1998	2,102.9	2,123.9	21.0		1.0%
FY 1999-00	Sine Die 1999	2,326.3	2,403.9	77.6		3.3%
FY 2000-01	Sine Die 2000	2,484.3	2,456.8	(27.5)	-1.1%	
FY 2001-02	Sine Die 2001	2,646.0	2,365.5	(280.5)	-10.6%	
FY 2002-03	Sine Die 2002	2,725.7	2,456.4	(269.3)	-9.9%	
FY 2003-04	Sine Die 2003	2,732.0	2,718.7	(13.3)	-0.5%	
FY 2004-05	Sine Die 2004	2,775.5	3,037.2	261.7		9.4%
FY 2005-06	Sine Die 2005	3,092.3	3,352.2	259.9		8.4%
FY 2006-07	Sine Die 2006	3,217.0	3,408.3	191.4		5.9%
FY 2007-08	Sine Die 2007	3,389.2	3,506.1	116.9		3.5%
FY 2008-09	Sine Die 2008	3,531.7	3,357.5	(174.3)	-4.9%	

FY	Session	Projected at Sine Die **	Actual Receipts	\$ Variance	% Variance	
					Negative	Positive
FY 2009-10	Sine Die 2009	3,446.7	3,204.7	(242.0)	-7.0%	
FY 2010-11	Sine Die 2010	3,422.2	3,499.7	77.4		2.3%
FY 2011-12	Sine Die 2011	3,591.1	3,695.9	104.8		2.9%
FY 2012-13	Sine Die 2012	3,767.1	4,052.4	285.3		7.6%
FY 2013-14	Sine Die 2013	4,020.7	4,117.4	96.7		2.4%
FY 2014-15	Sine Die 2014	4,220.5	4,305.1	84.6		2.0%
FY 2015-16	Sine Die 2015	4,481.9	4,308.0	(173.9)	-3.9%	
FY 2016-17	Sine Die 2016	4,578.4	4,265.8	(312.6)	-6.8%	
FY 2017-18	Sine Die 2017	4,605.4	4,567.0	(38.4)	-0.8%	
FY 2018-19	Sine Die 2018	4,730.7	4,896.4	165.6		3.5%
FY 2019-20	Sine Die 2019	4,649.1	4,939.8	290.7		6.3%
FY 2020-21	Sine Die 2020	5,000.6	5,959.0	958.5		19.2%
Average Variance (41 years)				\$41.2		
Average: Below Estimate (17 years)				(\$109.2)	-4.5%	
Average: Above Estimate (24 years)				\$147.7		5.7%

General Fund Revenues

Revenue Forecasts

Revenue estimates for FY2021-22 and FY2022-23 are the October 2021 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). These forecasts yield a projected adjusted revenue growth of 2.9% in FY21-22 and 3.2% in FY22-23, an average growth of 3.1%. While this two year growth is significantly below the historical average, the high FY2020-21 growth of 14.6% brings the three year average growth to 6.9%

For the following biennium or what's commonly referred to as the "out years", the preliminary estimates for FY2023-24 and FY2024-25 are prepared by the Legislative Fiscal Office (LFO) using the "capped" historical average methodology. This "smoothing" technique derives "out year" revenue estimates by calculating the level of revenues that would yield a five year average growth (FY21 to FY25) roughly equal to the 40 year historical average (5.0%) less .25% which is the projected impact of indexing the tax brackets as enacted in LB987 (2014). Under this method, revenue growth for the two years would average 0.7%

Table 4 - General Fund Revenue Forecasts

	NEFAB FY2020-21	NEFAB FY2021-22	NEFAB FY2022-23	LFO Prelim FY2023-24	LFO Prelim FY2024-25
Actual/Forecast					
Sales and Use Tax	2,009,748,270	2,050,000,000	2,180,000,000	2,221,300,000	2,240,900,000
Individual Income Tax	3,130,599,324	2,540,000,000	2,700,000,000	2,771,300,000	2,986,800,000
Corporate Income Tax	571,220,324	540,000,000	450,000,000	370,100,000	352,400,000
Miscellaneous receipts	247,474,510	225,000,000	225,000,000	203,800,000	186,500,000
Total General Fund Revenues	5,959,042,428	5,355,000,000	5,555,000,000	5,566,500,000	5,766,600,000
Adjusted Growth					
Sales and Use Tax	7.9%	5.9%	4.5%	1.1%	1.0%
Individual Income Tax	18.1%	-2.2%	5.3%	2.5%	2.5%
Corporate Income Tax	27.1%	22.1%	-11.5%	-8.8%	-9.7%
Miscellaneous receipts	4.1%	-2.2%	8.5%	-2.0%	-2.3%
Total General Fund Revenues	14.6%	2.9%	3.2%	0.7%	0.7%
Two Yr Average	9.7%	--	3.1%		0.7%
Five Yr Average	6.7%	--	6.9%		4.4%

This five year revenue flow appears to mirror the large amount of federal funds circulated into Nebraska which amounts to the equivalent of 20% of Nebraska state personal income. The largest amount in FY20-21 with the CARES Act and then lower amounts over the next couple of years with the ARPA funds able to be expended through December 2026. This helps illustrate some of the impetus for the high state revenue growth, but also shows that that may dissipate over time as the federal money disappears.

	Billions of \$	% of NPI
CARES Act	13,175,481	12.5%
Consolidated Appropriations Act	1,843,190	1.7%
American Rescue Plan Act	5,899,828	5.6%
All other (four acts)	327,058	0.3%
Summed Total	21,245,557	20.1%
2019 Nebraska Personal Income	105,454,200	

In addition to the large federal pandemic aid, it's very difficult to look at the current revenue forecasts for the five year financial status and compare one year to the next because there are so many large items that affect each year differently. These are the types of adjustments that are made for purposes of calculating rate and base adjusted revenue growth.

A perfect example is the first item on the following table. The shift of \$280 million of income tax from FY20 to FY21 due to the extension of the income tax filing deadline until July 2020. This single item causes a \$560 million (10%) difference in comparing one year to the next.

	Actual FY2019-20	Actual FY2020-21	Est FY2021-22	Est FY2022-23	LFO Prelim FY2023-24	LFO Prelim FY2024-25
COVID-19 related tax filing deadline extension	(280,000,000)	280,000,000	0	0	0	0
Flood related tax filing deadline extension	20,000,000	0	0	0	0	0
2020 Fed Tax Changes (CARES Act)	0	(125,593,000)	(67,123,000)	(57,361,000)	(30,475,000)	(10,000,000)
Taxation of military retirement (LB 153-2020, LBV387-20;	0	0	(13,407,000)	(32,915,000)	(34,725,000)	(36,628,000)
Change taxation of social security (50%, 5 yr phase LB64-2021)	0	0	(15,098,000)	(28,602,000)	(42,403,000)	(57,448,000)
Legislative enacted cash fund transfers	65,416,628	53,795,957	33,295,957	39,295,957	0	0
Property Tax Relief Credit (LB 1107-2020)	0	(125,000,000)	(548,194,463)	(548,194,463)	(625,155,454)	(375,000,000)
2021 Fed Tax Changes (American Rescue Plan)	0	(29,253,000)	(33,442,000)	(1,229,000)	(452,000)	0
Tax incentive sales tax refunds (state only)	(78,252,000)	(74,184,490)	(143,000,000)	(103,000,000)	(83,000,000)	(85,000,000)
Total of Items Shown	(272,835,372)	(20,234,533)	(786,968,506)	(732,005,506)	(816,210,454)	(564,076,000)

Nebraska Property Tax Incentive Act (LB 1107)

The Nebraska Property Tax Incentive Act was included as part of LB1107 enacted in the 2020 legislative session. The act provides a refundable income tax credit or credit against franchise tax for any taxpayer who pays school district taxes, which is property taxes levied by a school district or school system, excluding property taxes levied for bonded indebtedness and property taxes levied as a result of an override of limits on property tax levies approved by voters. The following shows the calculation of the credit amount under the bill by year.

Fiscal Yr Impact	Income Tax		Property Tax
	Year	Year	Growth
FY 2020-21	2020	2019	Fixed amount at \$125 million
FY 2021-22	2021	2020	\$125 million + growth over 3.5%
FY 2022-23	2022	2021	Prior Yr max + growth over 3.5%
FY 2023-24	2023	2022	Prior Yr max + growth over 3.5%
FY 2024-25	2024	2023	Fixed amount at \$375 million
FY 2025-26	2025	2024	Prior Yr + valuation growth
FY 2026-27	2026	2025	Prior Yr + valuation growth

If the Cash Reserve Fund (CRF) is below \$500 million, 50% of the growth over 3.5% is distributed to increasing the credit. If the CRF is above \$500 million, the growth over 3.5% is distributed 100% to increasing the credit.

The figure below shows the calculation of dollar amounts relative to the 3.5% increase threshold (columns 1, 2, & 3) and the distribution of the amount above 3.5% to the credit (column 4). Column 5 and 6 then show the prior year credit amount and then the estimated total credit

amount after adding in any amounts coming from revenue growth. NOTE THAT *THE 3.5% THRESHOLD IS THE GROSS INCREASE OVER THE PRIOR YEAR AND NOT A RATE OR BASE ADJUSTED GROWTH RATE.*

Calculation of Credit Amount	(1) Gen Fund Actual / Est	(2) % Change over Prior Yr	(3) \$ above 3.5% growth	(4) \$ Amt To Credit	(5) Prior Year Credit	(6) Estimated Credit Amt
FY2019-20 Actual	4,939,762,611	--	--	--	--	--
FY2020-21 Actual	5,959,042,429	20.6%	--	--	--	125,000,000
FY2021-22 NEFAB Adjusted	4,879,609,919	-18.1%	846,388,127	423,194,063	125,000,000	548,194,063
FY2022-23 NEFAB Adjusted	5,127,357,657	5.1%	0	0	548,194,063	548,194,063
FY2023-24 LFO Adjusted	5,293,510,350	3.2%	76,961,391	76,961,391	548,194,063	625,155,454
FY2024-25 LFO Adjusted	5,766,590,748	8.9%	0	(250,155,454)	625,155,454	375,000,000

As noted earlier, the 3.5% threshold is the increase over the prior year not a rate and base adjusted growth rate. The first year this trigger is operative is FY20-21 which had a 20.6% increase in revenue based on actual receipts. About half of this “increase” is attributed to a shift of \$280 million of income tax from FY19-20 to FY20-21 due to an extension of the income tax filing deadline from April 2020 to July 2020 due to the COVID 19 outbreak. This quirk in cash flow caused a substantial increase in the LB1107 credit amount which became the floor for three years. The following illustrates the current estimate of the credit and what it would have been without the income tax cash flow shift due to the extended filing date in 2020..

Impact of Income Tax Filing Date Shift	Credit w/o Filing Shift	Current Credit Estimate	Credit due to filing date shift
FY2020-21	125,000,000	125,000,000	0
FY2021-22	263,294,063	548,194,463	284,900,400
FY2022-23	263,294,063	548,194,463	284,900,400
FY2023-24	340,255,454	625,155,454	284,900,000
FY2024-25	375,000,000	375,000,000	0

Historical General Fund Revenues

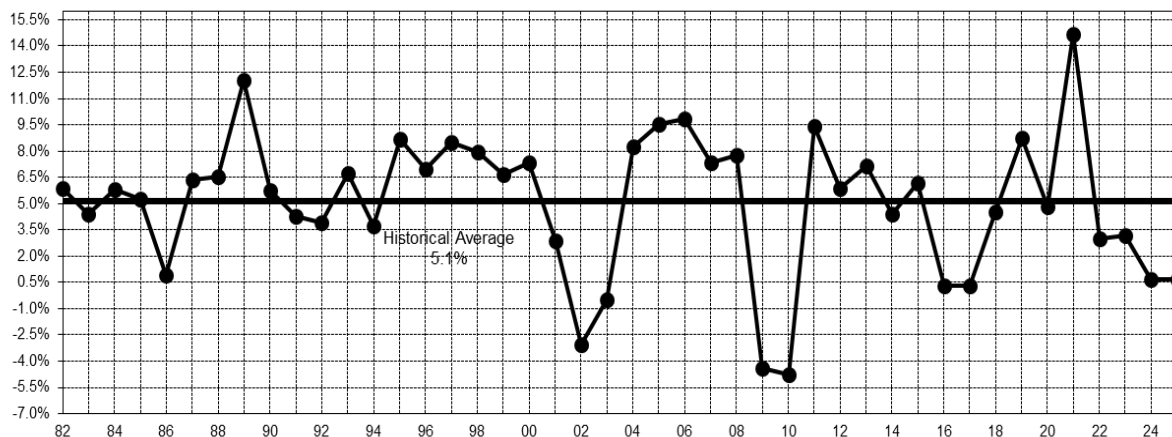
From the numbers shown above, a simple percent change over the prior year can be calculated. While these simple percent changes are appropriate when looking at the actual changes over time, they do not represent what is commonly referred to as revenue growth. *For purposes here, revenue growth means the growth in revenues caused by economic activity and inflation as arrived at by adjusting for items such as tax base and rate changes, legislation enacted, and one-time extraordinary items.* The objective is to measure underlying patterns of revenue growth ignoring such changes.

The average growth over the past 40 years is 5.1%. This revenue growth over time reflects the ebb and flow of economic activity and economic cycles. It reflects new businesses created and existing businesses that close. It reflects new products and services added to the tax base and existing products and services that are eliminated or expire. The key is the net impact. The new or expanded businesses, products or services more than offsets those that decline or disappear leaving a net overall increase averaging a 5.1% growth.

Table 5 Actual and Projected General Fund Revenues

Fiscal Year	Sales and Use Tax	Individual Income Tax	Corporate Income Tax	Miscellaneous Taxes and	Total Net Receipts	Adjusted Growth
FY 2000-01	905,023,176	1,233,363,553	138,040,082	180,435,044	2,456,861,855	2.9%
FY 2001-02	918,889,782	1,159,810,647	107,628,074	179,180,246	2,365,508,749	-3.0%
FY 2002-03	1,028,931,065	1,129,421,651	111,597,405	186,449,714	2,456,399,835	-0.5%
FY 2003-04	1,114,374,321	1,249,890,025	167,429,431	187,033,230	2,718,727,007	8.3%
FY 2004-05	1,231,011,089	1,400,076,680	198,380,442	207,726,086	3,037,194,297	9.5%
FY 2005-06	1,263,678,691	1,545,338,061	262,295,456	280,875,316	3,352,187,524	9.9%
FY 2006-07	1,303,826,416	1,650,895,394	213,027,010	240,582,953	3,408,331,773	7.3%
FY 2007-08	1,321,867,139	1,726,145,405	232,851,654	225,298,373	3,506,162,571	7.7%
FY 2008-09	1,326,161,017	1,600,418,236	198,483,786	232,405,148	3,357,468,187	-4.4%
FY 2009-10	1,289,796,877	1,514,830,114	154,332,137	245,720,545	3,204,679,673	-4.8%
FY 2010-11	1,372,784,033	1,735,208,600	154,944,966	236,717,493	3,499,655,092	9.4%
FY 2011-12	1,436,909,373	1,822,884,254	234,266,237	201,828,916	3,695,888,780	5.9%
FY 2012-13	1,474,942,641	2,101,912,041	275,562,990	199,940,938	4,052,358,610	7.2%
FY 2013-14	1,524,793,763	2,060,758,896	306,591,027	225,264,546	4,117,408,232	4.4%
FY 2014-15	1,535,419,516	2,205,463,903	346,477,378	217,738,529	4,305,099,326	6.2%
FY 2015-16	1,528,023,310	2,221,088,817	307,669,694	251,199,454	4,307,981,275	0.3%
FY 2016-17	1,548,388,848	2,224,840,053	264,439,713	228,103,331	4,265,771,945	0.3%
FY 2017-18	1,602,737,358	2,360,595,935	313,689,521	289,972,959	4,566,995,773	4.5%
FY 2018-19	1,658,107,133	2,545,680,039	423,737,571	268,853,778	4,896,378,521	8.7%
FY 2019-20	1,848,235,959	2,445,647,485	391,163,752	254,715,415	4,939,762,611	4.8%
FY 2020-21	2,009,748,270	3,130,599,324	571,220,324	247,474,510	5,959,042,428	14.6%
FY 2021-22 NEFAB	2,050,000,000	2,540,000,000	540,000,000	225,000,000	5,355,000,000	2.9%
FY 2022-23 NEFAB	2,180,000,000	2,700,000,000	450,000,000	225,000,000	5,555,000,000	3.2%
FY 2023-24 LFO Prelim	2,221,300,000	2,771,300,000	370,100,000	203,800,000	5,566,500,000	0.7%
FY 2024-25 LFO Prelim	2,240,900,000	2,986,800,000	352,400,000	186,500,000	5,766,600,000	0.7%
Avg Growth (adjusted)						
5 Yr Financial Status	4.0%	4.9%	3.3%	1.2%	4.4%	
Above Avg Years (25)	5.6%	9.5%	13.1%	3.6%	7.6%	
Below Avg Years (15)	1.9%	2.3%	-4.2%	0.4%	1.4%	
Hist Average (40 yrs)	4.3%	6.1%	5.5%	1.4%	5.1%	

General Fund Revenue Growth
(Adjusted for Tax Rate and Base Changes)



Chronology of Revenue Forecasts

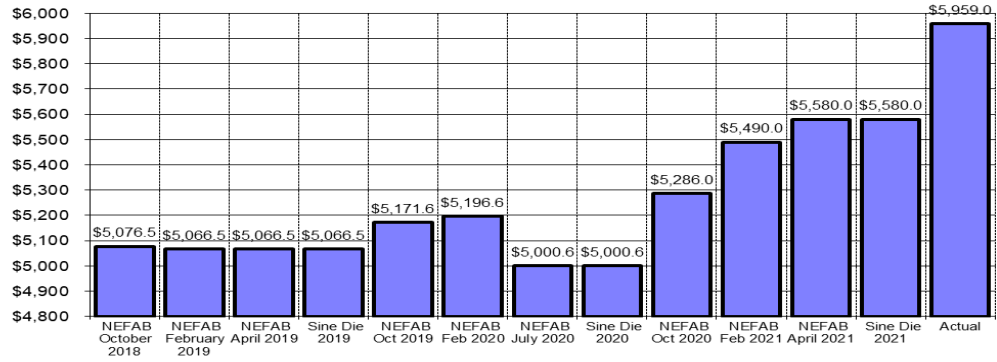
Table 6 contains a chronology of the revenue forecasts for FY2020-21 through FY2022-23. The first column shows the total revenue forecast while the last four columns breaks down the total dollar change in the forecast whether caused by bills enacted by the Legislature, other items such as federal tax changes, or simply a change in the revenue expectations (base). Note that in FY22 and FY23 the amounts in the "Other" column relate to changes in the LB1107 income tax credit for property taxes paid which are affected by the change in the prior year forecast.

Table 6 Chronology of Revenue Forecasts

FY2020-21						
Board Est-October 2018	5,000,000	2.8%				
Board Est-February 2019	4,990,000	3.0%	(10,000)	0	0	(10,000)
Board Est-April 2019	4,990,000	3.2%	0	0	0	0
Sine Die-2019 Session	5,044,919	3.1%	0	54,919	0	54,919
Board Est-Oct 2019	5,150,000	2.0%	105,081	0	0	105,081
Board Est-Feb 2020	5,175,000	0.6%	25,000	0	0	25,000
Board Est-July 2020	5,125,000	-2.0%	(196,036)	0	146,036	(50,000)
Sine Die-2020 Session (Aug)	5,000,589	-3.0%	(0)	(124,411)	0	(124,411)
Board Est-Oct 2020	5,286,000	1.4%	285,411	0	0	285,411
Board Est-Feb 2021	5,490,000	5.7%	204,000	0	0	204,000
Board Est-April 2021	5,580,000	8.0%	90,000	0	0	90,000
Sine Die-2021 Session	5,580,000	8.0%	0	0	0	0
Actual Receipts FY2020-21	5,959,042	14.6%	379,042	0	0	379,042
FY2021-22						
Board Est-Oct 2020	4,920,000	0.7%				
Board Est-Feb 2021	5,085,000	1.7%	267,000	0	(102,000)	165,000
Board Est-April 2021	5,080,000	1.2%	40,000	0	(45,000)	(5,000)
Sine Die-2021 Session	4,879,610	1.0%	(0)	(10,869)	(189,521)	(200,390)
Board Est-October 2021	5,355,000	2.9%	475,390	0	0	475,390
FY2022-23						
Board Est-Oct 2020	5,275,000	6.1%				
Board Est-Feb 2021	5,368,000	4.6%	195,000	0	(102,000)	93,000
Board Est-April 2021	5,368,000	3.9%	45,000	0	(45,000)	0
Sine Die-2021 Session	5,127,358	3.3%	0	(51,121)	(189,522)	(240,642)
Board Est-October 2021	5,555,000	3.2%	427,642	0	0	427,642

Chronology of FY2020-21 Forecasts

Prior forecasts adjusted for subsequent legislation and federal tax changes



General Fund Transfers-Out

General Fund Transfers-Out accounts for funds that are transferred from the General Fund to another fund within the state treasury. These items have the same effect as an appropriation but are not expended from the General Fund as such and therefore are shown under the revenue category as transfers-out from the General Fund and subsequently expended from the receiving fund.

Table 7 General Fund Transfers-Out

Excludes CRF Transfers	Actual	Current Biennial Budget		Following Biennium	
	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
Property Tax Credit Fund	(272,000,000)	(297,000,000)	(310,000,000)	(310,000,000)	(310,000,000)
Water Resources Cash Fund	(3,300,000)	(3,300,000)	(3,300,000)	0	0
Cultural Preservation Endowment Fund	(500,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Water Sustainability Fund	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)
Critical Infrastructure Fund (Gering-Ft. Laramie)	(3,800,000)	0	0	0	0
Rural Workforce Housing Investment Fund	(10,000,000)	0	0	0	0
Middle Income Workforce Housing Investment	(10,000,000)	0	0	0	0
NCCF- Corrections overcrowding	0	(100,000,000)	0	0	0
Prison Overcrowding Contingency Fund	0	(15,000,000)	0	0	0
Nebraska Revolving Loan Fund (LB1107-2020)	0	(5,000,000)	(5,000,000)	0	0
Hall of Fame Trust Fund (LB 4-2021)	0	(10,000)	(10,000)	(10,000)	(10,000)
Customized Job Training Cash Fund (LB 391)	0	(2,500,000)	0	0	0
Nebraska Film Office Cash Fund	0	(1,000,000)	0	0	0
Public Advocacy Cash Fund	0	(520,000)	(520,000)	0	0
Municipal gas emergency act (LB131-2021)	0	(4,000,000)	0	0	0
Municipal Inland Port Authority Act (LB156-2021)	0	0	(5,000,000)	(5,000,000)	0
Shovel-Ready Capital Recovery/Invest (LB566)	0	(15,000,000)	0	0	0
<i>General Fund Transfers-Out (current law)</i>	<i>(230,300,000)</i>	<i>(286,800,000)</i>	<i>(286,800,000)</i>	<i>(286,800,000)</i>	<i>(286,800,000)</i>
Community College State Dependents Fund	0	500,000	1,000,000	0	0
Governors Emergency Fund (for Peru Levee)	0	0	5,000,000	0	0
STARWARS Fund	0	0	150,000,000	0	0
NCCF - Fund shifts and new projects	0	0	23,844,250	0	0
<i>General Fund Transfers-Out - 2022</i>	<i>0</i>	<i>500,000</i>	<i>179,844,250</i>	<i>0</i>	<i>0</i>
<i>Total-General Fund Transfers-Out</i>	<i>(310,600,000)</i>	<i>(454,830,000)</i>	<i>(155,985,750)</i>	<i>(327,010,000)</i>	<i>(322,010,000)</i>

The Appropriations Committee preliminary budget includes four changes amounting to \$180.3 million.

Community College State Dependents Fund This includes a cash fund appropriation supported by a General Fund transfer of \$500,000 in FY21-22, and a \$1 million appropriation and transfer (General to Cash) in FY22-23. This is for a pilot program that would offer tuition reimbursement for dependents of state employees enrolled in one of the state's 6 community colleges. This program is designed to target dependents who begin their program of study between ages of 18-25 years old, and would provide tuition reimbursement (a maximum of 65 credit hours per student) for those dependents of state employees who earn a grade of C or higher upon completion of a course. Reimbursement checks would be administered by DAS Benefits

Administration (Prog 606) and would be issued directly to state employees. A separate cash fund would be established to account for the expenditures.

Governors Emergency Fund (for Peru Levee) The proposal includes a cash fund appropriation and transfer from the Cash Reserve Fund to the Governor's Emergency Cash Fund of \$5 million in FY 2022-23 to assist the Peru levee, which was damaged in the historic flooding of 2019. The levee along the Missouri River was breached and flooded the town of Peru. Since then, the Army Corps of Engineers has designated the Peru levee eligible for federal funding to repair the damages. Peru needs to have funding available up front for this project and the transfer would enable the town to qualify for federal funds to help restore the levee that retains flood waters from entering the town. American Rescue Plan Act (ARPA) dollars are ineligible for this request as federal guidelines state that federal funds cannot be used to match this other federal grant.

STARWARS Fund This proposal provides for \$150 million transferred from the General Fund to the Statewide Tourism And Recreational Water Access and Resource Sustainability (STARWARS) Fund in FY 2022-23. Another \$50 million in ARPA funding was included in the Governors recommendation. These funds are to utilize Nebraska's water resources by creating and upgrading recreational areas throughout the state. Not only would this increase tourism and recreational activity, but also help mitigate flooding and preserve communities drinking water. In one instance, the City of Lincoln's drinking water has been degrading with recent flooding from the Platte River. One potential project would be to establish a reservoir between Omaha and Lincoln. This reservoir would impact local communities by establishing cleaner drinking water and boost economic growth to support the increased recreational activity in the area.

Lake McConaughy Region	\$
Road improvements	6,800,000
Gateway entrance	1,000,000
Marina & amenities	43,000,000
Subtotal	50,800,000
Lower Niobrara & Knox County Region	
Lewis & Clark Marina expansion/retrofit	41,500,000
Niobrara Landing	2,800,000
Niobrara Event Center & Lodge	42,400,000
Subtotal	86,700,000
Lower Platte River Area	
Schuyler Flood Control project	1,000,000
Saunders County Flood Control project	22,000,000
Lower Platte River Lake and Rec Area	46,100,000
Subtotal	69,100,000
Total	206,600,000

NCCF - Fund shifts and new projects. The Governor and Committee shifted funding for three existing capital construction projects from General Funds to the Nebraska Capital Construction Fund (NCCF) amounting to \$14.25 million. Another \$9.6 million was transferred for 5 new projects for a total transfer of \$23.8 million

NCCF		FY2021-22	FY2022-23	2 Yr Total
Corrections	Corrections Security System Upgrades (fund shift)	0	1,250,000	1,250,000
Corrections	Corrections Capital Infrastructure and Maintenance (fund st	0	2,000,000	2,000,000
DAS	Capitol HVAC Funding , fund shift (NCCF)	0	11,000,000	11,000,000
Military Dept	Bellevue Readiness Center Construction, state match	0	7,600,000	7,600,000
Military Dept	Phase 2 HVAC & Interior Remodel	0	201,800	201,800
Military Dept	Readiness Centers' Backup Generator Construction	0	457,500	457,500
Military Dept	State-Federal Cost Share Projects	0	534,950	534,950
NETC	KUON-TV Transmitter replacement	0	800,000	800,000
	General Fund Transfer to NCCF	0	23,844,250	23,844,250

General Fund Transfers-In

Cash funds are funds which contain earmarked revenue sources and monies in those funds can only be used for the purposes authorized by statute. In many instances (since the 2009 special session) an authorized use of monies in a cash fund is transfers to the General Fund at the discretion of the Legislature. For accounting purposes, these are shown as “Transfers in” and are included as General Fund revenues.

Such transfers for the biennial budget are shown in Table 8 along with amounts that were transferred in FY20-21 which were enacted in the 2019 and 2020 legislative sessions and are already included in FY20-21 actual receipts.

Historically there have been transfers from three main sources; Securities Act Cash Fund, Tobacco Products Admin Cash Fund, and the Dept. of Insurance Cash Fund.

In the 2019 session, total transfers amounted to \$48.8 million in FY2019-20 and \$50.8 million in FY2020-21 and are already reflected in the actual receipts for the respective fiscal years..

In the 2021 session, the enacted budget included transfers-in of \$33.3 million in FY2021-22 and \$39.3 million in FY2022-23. Also included is cancellation of a \$2.25 million of the \$28 million FY21 transfer of Securities Act funds due to lack of adequate cash flow. The transfer-in amounts are lower than the past few years as heavy transfers from these funds in prior years have drawn down the balances to the point where a higher transfer is not sustainable. These transfer amounts are already incorporated into the “Net Receipts” figures of the NEFAB forecasts.

The Appropriations Committee 2022 preliminary budget includes no changes to the transfers enacted in the 2021 session.

Table 8 General Fund Transfers-In

	Actual FY2020-21	Current Biennial Budget		Following Biennium	
		FY2021-22	FY2022-23	FY2023-24	FY2024-25
Securities Act Cash Fund (FY21 revised)	25,750,000	18,000,000	24,000,000	0	0
Dept. of Insurance Cash Fund	13,500,000	8,000,000	8,000,000	0	0
Tobacco Products Admin Cash Fund	9,000,000	7,000,000	7,000,000	0	0
State Settlement Cash Fund	295,957	295,957	295,957	0	0
Water Sustainability Fund (LB1009)	500,000	0	0	0	0
<i>Transfers-In already in revenue forecast</i>	49,045,957	33,295,957	39,295,957	0	0
None	0	0	0	0	0
<i>General Fund Transfers-In – 2022 Session</i>	0	0	0	0	0
Total General Fund Transfers-In	97,589,933	48,795,957	50,795,957	0	0

General Fund Appropriations - Current Biennium

The financial status shown includes the Appropriations Committee preliminary recommendation for current year deficits (FY2021-22) and adjustments for FY2022-23, the second year of the biennial budget.

Committee Preliminary Adjustments – General Funds	FY2021-22	FY2022-23	2 Yr Total
All Agencies-Salary costs, revised NAPE, FOP agreement	491,138	62,473,755	62,964,893
DHHS-Child Welfare, assume operation of Eastern Service Area.	7,000,000	15,000,000	22,000,000
Revenue-Adjust Homestead Exemption to actual under current law	7,900,000	11,700,000	19,600,000
Supreme Court-Salary increases per trial court staff salary study	0	2,400,000	2,400,000
Corrections-NSP Security Camera Systems	4,000,000	0	4,000,000
Corrections-Presumed Payroll (Cares Act)	(23,000,000)	0	(23,000,000)
DHHS-Child Welfare, assume operation of Eastern Service Area.	(7,000,000)	(15,000,000)	(22,000,000)
DAS-Capitol HVAC funding, fund shift	0	(11,000,000)	(11,000,000)
Supreme Court-Excess juvenile justice funds, reallocate for salary increases	0	(2,400,000)	(2,400,000)
Corrections-Corrections Security System Upgrades (fund shift)	0	(1,250,000)	(1,250,000)
Corrections-Corrections Capital Infrastructure and Maintenance (fund shift)	0	(2,000,000)	(2,000,000)
Education-TEEOSA aid adjustment	0	(453,725)	(453,725)
All Other (net)	283,390	(483,598)	(200,208)
Total General Funds - New Appropriations	(10,325,472)	58,986,432	48,660,960
DHHS-Reappropriation (\$55,277,781) Medicaid	55,277,781	0	55,277,781
DHHS-Reappropriation (\$19,986,519) Child Welfare	19,986,519	0	19,986,519
Total General Fund Reappropriations	75,264,300	0	75,264,300

Salary costs, revised NAPE, FOP agreement

The preliminary budget provides funding to cover salary increases that had been negotiated with NAPE and FOP (Fraternal Order of Police) for specific highest demand positions and an additional July 1, 2023 for other employees

This includes 20% increases for the highest demand positions, 30% increases for selected healthcare related positions, and a three dollar pay differential for 24-hour facilities. Also included is a two hundred percent overtime pay rate through FY 2021-22 for 24-hour facilities and through FY 2022-23 for Fraternal Order of Police (FOP) teammates in correctional facilities.

Additionally funding is included for a \$4 pay differential is included for FOP employees in security and Military Department positions, and an \$8 pay differential is included for FOP employees in Corrections and DHHS,

Also for FY 2022-23, the recommendation includes funding equivalent to an additional 2% percent for employees within the state personnel system represented by NAPE and FOP, as

well as other State Personnel system employees not represented under a collective bargaining agreement. This additional 2% is also included for employees represented by SLEBC, contingent upon ratification, and employees for the Dept. of Education and Nebraska State College System.

Note the amount funded is a net figure. In addition to these salary increases, there will be no health insurance premium increase in FY22-23. A 6% increase had already been funded in FY22-23 so funding for the salary increase costs was reduced by the health insurance savings already in the agency budgets.

The Dept of Correctional Services accounts for \$33.8 million of the General Funds, all other agencies account for \$28 million.

Homestead Exemption (Revenue)

The preliminary budget includes appropriation increases for the Homestead Exemption program. The Department of Revenue had requested an additional \$7.9 million be appropriated to the FY22 Homestead Exemption appropriation. Total county certificates for FY22 exceeded the current appropriation by \$7.793 million, and counties are still able to amend their totals until May 30th, 2022, hence the request for \$7.9 million. Total amount needed for FY2021-22 is \$112.2 million.

The department also requested an additional \$11.7 million be added to the FY23 Homestead Exemption estimate of \$109.6 million, based on the current year's growth and expected increase to residential valuations. This brings the FY23 appropriation to \$121.3 million.

Employee Salary Increase (Courts)

The Supreme Court contracted with National Center for State Courts for a salary market study of positions that directly support trial courts. The study compared the salaries of other Midwest states' courts, other similar private and public sector positions including those in state and county agencies in Nebraska. On average the consultant found that salaries averaged 9.7% below market rate and ranged between -4.7% to -17.7%.

The preliminary budget includes an additional \$2.4 million General Funds to cover the cost of the salary increases. This was subsequently financed with a \$2.4 million reduction in excess juvenile justice funds.

Child Welfare, assume operation of Eastern Service Area (DHHS)

The preliminary budget includes the agency request of a transfer of child welfare aid funding to the administrative budget program. The department announced on December 14th that by mutual agreement the contract for case management services in the Eastern Service Area with Saint Francis Ministries would begin transitioning starting January 3, 2022, with the transition completed within 180 days. Current contract costs are funded in the Program 354 Child Welfare Aid. With state staff assuming the case management responsibilities the costs shift to Program 033 Administration; \$7 million for the remainder of FY21-22 and \$15 million for FY22-23..

CARES Act, Presumed Payroll (Corrections)

The 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act included over one billion dollars in federal Coronavirus Relief funding to Nebraska. Under United States Treasury guidelines, salary expenditures for local and state public safety personnel from March 1, 2020 – December 31, 2021, could be presumed to apply to COVID-19 related activities, and therefore qualified for federal reimbursement through the federal Coronavirus Relief Fund (CRF).

The Nebraska Department of Correctional Services (NDCS) submitted for reimbursement from the CRF, \$23 million General Fund payroll expenditures for protective services and direct-contact medical services personnel within the agency for the period July 1, 2021 – November 30, 2021. Through the reimbursement process, these expenditures were shifted to the CRF federal funds, thereby reducing the agency General Fund expenditures by a like amount in FY 2021-22. The preliminary budget reduces the FY 2021-22 General Fund appropriations to NDCS by \$23 million, but then subsequently adds \$4 million for the agency to use toward replacements and upgrades to facility security camera systems.

DHHS-Reappropriation (\$55,277,781) Medicaid

The Governors recommendation and committee preliminary budget includes utilizing FY 2020-21 carryover of \$55 million General to finance the agency's requested Medicaid issues. This balance was incurred due to the enhanced Federal Medical Assistance Percentage (FMAP) and will be utilized to assist future Medicaid costs. The recommendation also includes the use of \$21.6 million that is expected to be returned by the Managed Care Organization (MCO) into the Medicaid Managed Care Excess Profit Fund to support the Public Health Unwind. The three Medicaid requests are detailed below:

- Medicaid Expansion – The agency requested \$26,552,237 General Funds and \$238,970,137 federal funds in FY 2021-22 and \$24,498,399 General Funds and \$220,485,295 federal funds in FY 2022-23 to rebase the program for a full 12 months, as the original appropriation was based on nine months of use.
- Medicare Part D Clawback – The agency requested \$5.5 million General Funds in FY 2022-23 due to an increase in amount the state is required to contribute toward the cost of prescription drugs for Medicaid/Medicare Dual Eligible individuals.
- Medicaid Public Health Unwind – The agency requested \$20,238,085 General Funds and \$114,259,325 federal funds over the biennium to finance the increased cases that were the result of the continuous eligibility requirement that came with the enhanced FMAP. When the public health emergency (PHE) and enhanced FMAP ends, there will be a period of up to 12 months where the agency will no longer receive the enhanced FMAP, but will have the increased number of cases, until all cases are reviewed for eligibility. The request is based on the assumption that the PHE will be extended one additional period, until April 2022, and the enhanced FMAP will end June 30, 2022.

Medicaid	FY2021-22	FY2022-23	2 Yr Total
Medicaid Public Health Emergency (PHE) FMAP unwind	(36,493,812)	56,776,897	20,283,085
Medicaid expansion, annualize	26,552,237	24,498,366	51,050,603
Medicaid Part D Clawback	0	5,500,000	5,500,000
Subtotal	(9,941,575)	86,775,263	76,833,688
Less: Use of Medicaid Managed Care Excess Profit Fund		(21,555,907)	(21,555,907)
Net Amount Needed	(9,941,575)	65,219,356	55,277,781

DHHS-Reappropriation (\$19,986,519) Child Welfare

FY 2021-22 and \$22,069,700 General Funds and \$15,270,758 federal funds in FY 2022-23 due to increases in child welfare cases. The Governors recommendation and committee preliminary budget includes utilizing FY 2020-21 carryover of \$19.9 million General Funds in the Child Welfare Program, and \$10.1 million in ARPA federal funding related to the General Fund portion of the request to support increased case counts.

Appendix A

General Fund Mid-Biennium Budget Adjustments

Agency			Governor FY2021-22	Governor FY2022-23	Committee FY2021-22	Committee FY2022-23	Difference from Governor	
Item							FY2021-22	FY2022-23
Supreme Court	52	Salary increases per trial court staff salary study	0	0	0	2,400,000	0	0
Supreme Court	67	Salary increases per trial court staff salary study	0	0	0	(2,400,000)	0	0
Supreme Court	52	Dispute Resolution, unsustainable cash fund level	0	0	0	270,000	0	0
Education	0	OCIO Technology Deployment Rate Increases	9,748	11,458	9,748	11,458	0	0
Education	0	Relocation, Consolidation, and Property Management	1,506,303	914,683	0	0	(1,506,303)	(914,683)
Education	25	Correct LB396A Farm to School Appropriation	100,000	100,000	100,000	100,000	0	0
Education	158	Correct LB396A Farm to School Appropriation	(100,000)	(100,000)	(100,000)	(100,000)	0	0
Education	25	Retiree Vacation & Sick Leave Payout	95,037	0	95,037	0	0	0
Education	158	TEEOSA aid adjustment	0	(18,839,959)	0	(453,725)	0	18,386,234
Education	158	TEEOSA aid adjustment (insurance premium tax)	(137,471)	0	(137,471)	0	0	0
PSC.	54	General Fund Shortfall Program 54	186,092	186,092	186,092	186,092	0	0
Revenue	108	Adjust Homestead Exemption to actual under current law	7,900,000	11,700,000	7,900,000	11,700,000	0	0
DHHS	33	Economic Assistance Staff Additions	209,296	837,183	0	0	(209,296)	(837,183)
DHHS	348	Medicaid Public Health Emergency (PHE) unwind	Reapprop	0	Reapprop	0	0	0
DHHS	348	Medicaid expansion, annualize	Reapprop	0	Reapprop	0	0	0
DHHS	348	Medicaid Part D Clawback	Reapprop	0	Reapprop	0	0	0
DHHS	354	Child Welfare, increased caseload	Reapprop	0	Reapprop	0	0	0
DHHS	354	Child Welfare, assume operation of Eastern Service Area.	(7,000,000)	(15,000,000)	(7,000,000)	(15,000,000)	0	0
DHHS	33	Child Welfare, assume operation of Eastern Service Area.	7,000,000	15,000,000	7,000,000	15,000,000	0	0
Military Dept	900	Bellevue Readiness Center Construction, state match	0	NCCF	0	NCCF		
Military Dept	900	Phase 2 HVAC & Interior Remodel	0	NCCF	0	NCCF	0	0
Military Dept	900	Readiness Centers' Backup Generator Construction	0	NCCF	0	NCCF	0	0
Military Dept	900	State-Federal Cost Share Projects	0	NCCF	0	NCCF	0	0
Corrections	200	NSP Security Camera Systems	4,000,000	0	4,000,000	0	0	0
Corrections	200	Presumed Payroll (Cares Act)	(23,000,000)	0	(23,000,000)	0	0	0
Corrections	900	Corrections Security System Upgrades (fund shift)	0	(1,250,000)	0	(1,250,000)	0	0
Corrections	900	Corrections Capital Infrastructure and Maintenance (fund shift)	0	(2,000,000)	0	(2,000,000)	0	0
NETC	900	KUON-TV Transmitter replacement	0	NCCF	0	NCCF	0	0
Hist Society	648	Retirees Leave Payouts	158,508	0	158,508	0	0	0

Agency Item			Governor FY2021-22	Governor FY2022-23	Committee FY2021-22	Committee FY2022-23	Difference from Governor	
DAS	594	Appropriation - Risk Management - State Insurance	1,476	0	1,476	0	0	0
DAS	900	Capitol HVAC Project	0	(11,000,000)	0	(11,000,000)	0	0
Arts Council	326	Agency Director Search	0	55,000	0	0	0	(55,000)
Arts Council	329	One-Time Retirement Pay-Out	0	41,946	0	41,946	0	0
Indian Comm.	584	In-grade pay increase, Admin Program Officer	0	11,745	0	11,745	0	0
Retirement	515	Statutory Contribution - School 2%	0	738,533	0	738,533	0	0
Retirement	515	Statutory Contribution - OPS service annuity	0	503,111	0	503,111	0	0
Retirement	515	Actuarially required contribution - Judges plan	0	(1,299,463)	0	(1,299,463)	0	0
Retirement	515	Actuarially required contribution - State Patrol plan	0	(947,020)	0	(947,020)	0	0
All Agencies	--	Salary costs, revised NAPE agreement	491,138	62,473,755	491,138	62,473,755	0	0
Total General Funds –New Appropriations			(8,579,873)	42,137,064	(10,295,472)	58,986,432	(1,715,599)	16,579,368

DHHS	348	Reappropriation (\$55,277,781) Medicaid	55,277,781	0	55,277,781	0	0	0
DHHS	524	Reappropriation (\$19,986,519) Child Welfare	19,986,519	0	19,986,519	0	0	0
Total General Funds – Reappropriations			75,264,300	0	75,264,300	0	0	0

Appendix B

Summary of the FY22 / FY23 General Fund Budget with Preliminary Adjustment

	2022 Session Deficits			2022 Committee Preliminary Budget			Change vs Prior Yr		Change vs Prior Yr		2 Yr Avg
	w/o Deficits FY2021-22	Prelim Adjust FY2021-22	Adjusted Total FY2021-22	2021 Session FY2022-23	Prelim Adjust FY2022-23	Adjusted Total FY2022-23	FY21-22 (w/o deficits) \$ %		FY22-23 (w/o deficits) \$ %		
<u>Agency Operations</u>											
University & State /Colleges	685,481,715	0	685,481,715	699,985,544	1,046,944	701,032,488	15,518,725	2.3%	15,550,773	2.3%	2.3%
Health & Human Services	252,746,312	7,000,000	259,746,312	255,796,626	34,224,002	290,020,628	1,213,093	0.5%	37,274,316	14.7%	7.4%
Correctional Services	245,026,442	(18,926,817)	226,099,625	256,062,253	33,847,305	289,909,558	8,574,983	3.6%	44,883,116	18.3%	10.7%
Courts	195,926,634	0	195,926,634	201,236,223	1,174,957	202,411,180	(4,359,039)	-2.2%	6,484,546	3.3%	0.5%
State Patrol	67,522,904	33,113	67,556,017	69,750,430	532,240	70,282,670	3,074,881	4.8%	2,759,766	4.1%	4.4%
Retirement Board	57,053,947	0	57,053,947	58,831,000	(1,004,839)	57,826,161	2,214,015	4.0%	772,214	1.4%	2.7%
Revenue	28,848,741	0	28,848,741	29,046,325	237,349	29,283,674	(143,447)	-0.5%	434,933	1.5%	0.5%
Other 39 Agencies	209,860,889	835,703	210,696,592	213,090,686	6,662,199	219,752,885	16,587,476	8.6%	9,891,996	4.7%	6.6%
Total-GF Operations	1,742,467,584	(11,058,001)	1,731,409,583	1,783,799,087	76,720,157	1,860,519,244	42,680,687	2.5%	118,051,660	6.8%	4.6%
<u>State Aid to Individuals/Others</u>											
Medicaid	899,933,133	0	899,933,133	951,835,510	0	951,835,510	(21,317,089)	-2.3%	51,902,377	5.8%	1.6%
Child Welfare Aid	178,071,265	(7,000,000)	171,071,265	181,510,159	(15,000,000)	166,510,159	5,896,435	3.4%	(11,561,106)	-6.5%	-1.7%
Developmental disabilities aid	157,634,528	0	157,634,528	167,735,010	0	167,735,010	378,777	0.2%	10,100,482	6.4%	3.3%
Public Assistance	87,950,162	0	87,950,162	89,156,005	0	89,156,005	1,193,905	1.4%	1,205,843	1.4%	1.4%
Behavioral Health aid	77,956,716	0	77,956,716	80,505,211	0	80,505,211	5,750,102	8.0%	2,548,495	3.3%	5.6%
Childrens Health Insurance (SCHIP)	23,275,936	0	23,275,936	26,433,262	0	26,433,262	(502,818)	-2.1%	3,157,326	13.6%	5.4%
Nebr Broadband Bridge Act	19,782,208	0	19,782,208	19,795,788	0	19,795,788	19,782,208	—	13,580	100.0%	na
Business Innovation Act	14,020,352	0	14,020,352	15,020,352	0	15,020,352	8,000,000	132.9%	1,000,000	7.1%	58.0%
Aging Programs	11,722,579	0	11,722,579	11,722,579	0	11,722,579	0	0.0%	0	0.0%	0.0%
Community health centers	9,814,060	0	9,814,060	11,314,060	0	11,314,060	2,031,000	26.1%	1,500,000	15.3%	20.6%
Nebraska Career Scholarships	9,000,000	0	9,000,000	14,000,000	0	14,000,000	5,000,000	125.0%	5,000,000	55.6%	87.1%
Higher Ed Student Aid programs	8,843,430	0	8,843,430	9,093,430	0	9,093,430	150,000	1.7%	250,000	2.8%	2.3%
Public Health Aid	6,877,196	0	6,877,196	6,877,196	0	6,877,196	512,789	8.1%	0	0.0%	4.0%
Nebraska Rural Projects Act	4,715,630	0	4,715,630	4,896,460	0	4,896,460	4,715,630	—	180,830	3.8%	na
All Other Aid to Individuals/Other	16,336,995	0	16,336,995	23,878,052	270,000	24,148,052	3,467,542	26.9%	7,811,057	47.8%	37.0%
Total-GF Aid to Individuals/Other	1,525,934,190	(7,000,000)	1,518,934,190	1,613,773,074	(14,730,000)	1,599,043,074	35,058,481	2.4%	73,108,884	4.8%	3.6%
<u>State Aid to Local Govts</u>											
State Aid to Schools (TEEOA)	1,014,915,776	(137,471)	1,014,778,305	1,039,139,959	(453,725)	1,038,686,234	(7,640,083)	-0.7%	23,770,458	2.3%	0.8%
Property Tax Credit	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer	—	—	—	—	—
Special Education	233,390,568	0	233,390,568	235,724,474	0	235,724,474	2,310,798	1.0%	2,333,906	1.0%	1.0%
Aid to Community Colleges	106,645,089	0	106,645,089	109,804,330	0	109,804,330	3,086,750	3.0%	3,159,241	3.0%	3.0%
Homestead Exemption	104,300,000	7,900,000	112,200,000	109,600,000	11,700,000	121,300,000	3,200,000	3.2%	17,000,000	16.3%	9.5%
Aid to ESU's	13,613,976	0	13,613,976	13,613,976	0	13,613,976	0	0.0%	0	0.0%	0.0%
Aid to Counties programs	2,000,000	0	2,000,000	2,000,000	0	2,000,000	2,000,000	#DIV/0!	0	0.0%	na
High ability learner programs	2,342,962	0	2,342,962	2,342,962	0	2,342,962	0	0.0%	0	0.0%	0.0%
Early Childhood programs	11,119,357	0	11,119,357	11,119,357	0	11,119,357	2,500,000	29.0%	0	0.0%	13.6%
Community Based Juvenile Service	5,798,000	0	5,798,000	5,798,000	0	5,798,000	(250,000)	-4.1%	0	0.0%	-2.1%
Governors Emergency Program	5,000,000	0	5,000,000	5,000,000	0	5,000,000	(55,240,974)	-91.7%	0	0.0%	-71.2%
Other Aid to Local Govt	6,319,394	0	6,319,394	6,319,394	0	6,319,394	1,000,000	18.8%	0	0.0%	9.0%
Total-GF Aid to Local Govt	1,505,445,122	7,762,529	1,513,207,651	1,540,462,452	11,246,275	1,551,708,727	(49,033,509)	-3.2%	46,263,605	3.1%	-0.1%
<u>Capital Construction</u>	41,526,176	0	41,526,176	38,171,610	(14,250,000)	23,921,610	2,900,515	7.5%	(17,604,566)	-42.4%	-21.3%
<u>TOTAL APPROPRIATIONS</u>	4,815,373,072	(10,295,472)	4,805,077,600	4,976,206,223	58,986,432	5,035,192,655	31,606,174	0.7%	219,819,583	4.6%	2.6%

Appendix C

General Fund Spending Assumptions - Following Biennium

For the “following biennium” (FY2023-24 and FY2024-25), the budget numbers reflect the annualized impact of the 2021 budget actions plus an estimate of future year increases in entitlement programs, salary and health insurance increases, and other funding requirements that are normally not optional. It is an estimate based on “current law”, i.e. an estimate of future obligations with no change to the underlying law.

Amounts shown in this section do not reflect budget actions that might take place during the 2022 session including revised TEEOSA school aid estimates. The on-going impact of the 2022 items into FY24 and FY25 are shown with those individual items.

Table 9 Projected Budget Increases - Following Biennium
(includes on-going impact of 2021 budget actions, excludes impact of any potential 2022 changes)

<i>Dollar Changes from FY23 Base Year</i>	Annual % Change			Projected Increases	
	FY24	FY25	2 Yr Avg	FY2023-24	FY2024-25
<u>Aid to Local Governments</u>					
Aid to K-12 Schools (TEEOSA GF only)	4.3%	3.8%	4.0%	44,599,154	85,499,482
Special Education	2.5%	2.5%	2.5%	5,893,112	11,933,551
Community Colleges	3.5%	3.5%	3.5%	3,843,152	7,820,813
Homestead Exemption	3.0%	3.0%	3.0%	3,288,000	6,674,640
Aid to ESU's	2.5%	2.5%	2.5%	353,980	716,809
Aid to Counties	--	--	--	(2,000,000)	(2,000,000)
<u>Aid to Individuals / Other</u>					
Medicaid	4.5%	4.5%	4.5%	40,858,749	83,556,142
Public Assistance	3.5%	3.5%	3.5%	3,036,469	6,179,214
Child Welfare Aid	4.5%	4.5%	4.5%	8,167,957	16,703,472
Developmental Disability aid	4.0%	4.0%	4.0%	6,709,400	13,687,177
Behavioral Health aid	2.5%	2.5%	2.5%	2,012,630	4,075,576
Children's Health Insurance (CHIP)	5.4%	5.3%	5.3%	1,414,497	2,892,646
Nebraska Career Scholarships	42.9%	0.0%	21.4%	6,000,000	6,000,000
All Other (Aid-Ind)	0.0%	0.0%	0.0%	293,064	593,456
<u>Agency Operations</u>					
Employee Salaries - State Agencies	3.0%	3.0%	3.0%	17,791,129	36,027,037
Employee Health Insurance - State Agencies	6.0%	6.0%	6.0%	6,116,753	12,600,511
University/Colleges increased funding	3.8%	3.8%	3.8%	26,616,397	54,092,221
Operations increase - State Agencies	2.0%	2.0%	2.0%	3,144,636	6,352,165
Juvenile Services - Courts	2.5%	2.5%	2.5%	1,223,585	2,477,760
Inmate per diem costs (Corrections)	3.0%	3.0%	3.0%	1,384,455	2,810,443
Staffing / costs, new facilities (Corrections)	--	--	specific	3,722,530	7,445,060
Retirement (defined benefit plans)	--	--	specific	322,947	2,100,000
All Other (Oper)			specific	(374,827)	524,556
<u>Construction</u>	-20.5%	-2.6%	-11.6%	(7,834,881)	(8,626,699)
Total General Fund Increases (Biennial Basis)	3.5%	3.6%	3.6%	176,582,889	360,136,033

Aid to Local Governments

State Aid to Schools (TEEOSA) The estimates for FY24 and FY25 are based on the same methodology utilized for the November 15 estimates required under current law for the proposed biennial budget but with

Fiscal Office assumptions and should be considered Fiscal Office estimates. The estimates reflect a growth in overall school aid of 4.2% in FY24 and 3.7% in FY25. The above average growth reflects a 3.5% per year estimate in school spending and a valuation growth of 2.4% per year assuming a continued decline in agricultural land valuations.

The previous paragraph describes the estimates at Sine Die 2021. Impacts of the January 2022 preliminary certified TEEOSA amounts are shown separately on the Financial Status

Special Education Increases for FY22 and FY23 reflect a 2.5% per year increase. Although statute allows for a growth up to 5% the 2.5% is equal to the basic allowable growth rate under the K-12 school spending limitation and TEEOSA calculations.

Aid to Community Colleges For the following biennium, a 3.5% per year annual increase is included reflecting increased state aid to support operations budget increases. This increase amounts to about a \$3.9 million per year increase.

Homestead Exemption A 3% per year annual increase is included for the following biennium budget reflecting some level of inflationary increases.

Aid to ESU's The amount of aid to ESU's is based on funding of a certain level of core services and technology infrastructure. Growth in aid is set at the same rate as the basic allowable growth rate under the K-12 school spending limitation (2.5% per year).

Aid to Individuals

Medicaid For the following biennium, the average growth is 4.5% per year. This reflects projected growth of 2.0% per year for population client eligibility and utilization and 2.5% per year for provider rates. This estimate also assumes no change in the federal match rate.

Public Assistance A basic growth rate of 3.5% per year is utilized for the various Public Assistance programs for the following biennium. This reflects no growth for population client eligibility and utilization and 2.5% per year for provider rates and 5% for child care rates.

Child Welfare A basic growth rate of 4.5% per year is utilized for the various Child Welfare programs for the following biennium. This reflects a 2% per year growth for population client eligibility and utilization and 2.5% per year for provider rates.

Children's Health Insurance (CHIP) For the following biennium, a 4.5% per year increase is used which is the same as Medicaid.

Developmental Disability Aid A 4% per year increase is included. This provides the equivalent of 2.5% per year for rate equity similar to the employee salary assumption and 1.5% for clients transitioning from K-12 programs. As this projected budget assumes no expanded programs, nothing is assumed for funding of the waiting list.

Behavioral Health Aid. This area includes substance abuse and mental health aid. The increases in the following biennium reflect a 2.5% increase to reflect some annual increase in provider rates.

Nebraska Career Scholarships. In the 2020 session, the Governor's budget recommendation included funding and distribution language for the Nebraska Career Scholarship Program through the University of Nebraska, State Colleges, and Community Colleges (through Dept. of Economic Development). The enacted budget included this proposal with funding provided for the current biennium at \$8 million in FY22, \$12 million in FY23 with intent to increase to \$16 million in FY24. In the 2021 session funds were included under DED for students attending a private, not for profit university or college in the state; \$1 million in FY22, \$2 million in FY23, and intent to increase to \$4 million in FY24.

Agency Operations / Construction

Employee Salary Increases Although salary increases will be the result of bargaining, some level of increase is factored in more for illustration than planning purposes. A 2.5% per year increase is included which approximates inflation. In addition \$3 million is added each year to cover the costs of the Protective Services 2020 contract which provides for a \$1 per hour increase step plan, employees can move up a step each year for seven years.

Employee Health Insurance For planning purposes, an 6% per year increase in health insurance is included for the following biennium, similar to the prior biennium.

University and State Colleges Funding Although shown as a separate item, the calculated amounts are based on applying the same salary and health insurance increases as noted for state employees planning purposes, and applying them to both the University and State Colleges.

Operations Inflation Included in the projected status is a general 2% increase in agency non-personnel operating costs. Although not provided as an across the board increase, this amount historically covers increases in utility costs at state and higher education facilities as well as food and other inflationary cost increases at 24/7 state facilities such as veterans homes, BSDC, etc...

Inmate Per Diem Costs While some costs at the Dept. of Correctional Services such as staffing are "fixed" within a range of inmate population, some costs change directly with each inmate. This includes food, clothing, and medical care. A 3% per year increase is included to reflect both

DCS Staffing and Operations The amount shown in FY24-25 is the projected amounts to fully annualize the operating costs of the two new high security housing units at the Reception and Treatment Center in Lincoln.

Defined Benefit Retirement Plans The increase in funding for the defined benefit retirement plans for FY24 and FY25 reflects about a 2.5% increase in the 2% of pay contribution in the school plan.

Capital Construction General Fund dollars included in the projected budget for the following biennium for capital construction reflect reaffirmations only based on the proposed FY22/FY23 biennial budget. These are dollar amounts needed to complete funding of previously approved projects.